

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
2 COMMISSION

3 In the Matter of the Proposal by)  
4 PUGET SOUND POWER & LIGHT )  
COMPANY )  
5 ) DOCKET NO. UE-951270  
to Transfer Revenues from PRAM ) Volume 8  
6 Rates to General Rates. ) pages 996 - 1033  
-----)

7 In the Matter of the Application)  
of )  
8 )  
9 PUGET SOUND POWER & LIGHT )  
and )  
10 WASHINGTON NATURAL GAS COMPANY ) DOCKET NO. UE-960195  
For an Order Authorizing the )  
11 Merger of WASHINGTON ENERGY )  
COMPANY and WASHINGTON NATURAL )  
12 GAS COMPANY with and into PUGET )  
SOUND POWER & LIGHT COMPANY, and)  
13 Authorizing the Issuance of )  
Securities, Assumption of )  
14 Obligations, Adoption of )  
Tariffs, and Authorizations )  
15 in Connection Therewith. )  
-----)

16  
17 A hearing in the above matter was held on  
18 October 14, 1996, at 9:33 a.m. at the Public Library,  
19 Bellingham, Washington before Administrative Law Judge  
20 MARJORIE SCHAER.

21 The parties were present as follows:

22 PUBLIC COUNSEL by ROBERT F. MANIFOLD,  
Assistant Attorney General, 900 Fourth Avenue, Suite  
23 2000, TB-14, Seattle, Washington, 98164.

24 MARGARET BUSTOS, CSR  
25 Court Reporter

1                   COMMISSION STAFF by ROBERT D. CEDARBAUM,  
Assistant Attorney General, 1400 South Evergreen Park  
2 Southwest, Olympia, Washinton, 98504.

3                   WASHINGTON NATURAL GAS by MATTHEW R. HARRIS,  
Attorney at Law, 6100 Columbia Center, 701 Fifth  
4 Avenue, Seattle, Washington 98104-7098.

5                   PUGET POWER by JAMES VAN NOSTRAND, Attorney  
at Law, 411 - 108th Avenue NE, Bellevue, Washington,  
6 98004.

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1

I N D E X

2 WITNESS: DIRECT CROSS EXAM

3 CAGEY 1004 1006 1005

4 EBERDT 1008 1012/1013

5 JOHNSON 1015 1016

6 FINET 1016 1023/1025

7 LEWIS 1026

8 CRADDOCK 1028

9 SLETTE 1031

10

11 EXHIBIT MARKED ADMITTED

12 (NO EXHIBITS WERE MAKRED.)

13

14

15

16

17

18

19

20

21

22

23

24

25

1 P R O C E E D I N G S

2 JUDGE SCHAEER: Good morning, Ladies and  
3 Gentlemen. Let's be on the record, and the hearing  
4 will come to order.

5 This is a hearing before the Washington  
6 Utilities and Transportation Commission for the  
7 purpose of taking public testimony. There are two  
8 cases that the Commission is considering at this time,  
9 Docket No. UE-951270, which is a proposal by Puget  
10 Sound Power and Light Company seeking approval to  
11 transfer revenues from periodic rates to general  
12 rates, and Docket No. UE-960195, which is an  
13 application of Puget Sound Power and Light Company  
14 and Washington Natural Gas Company for an order  
15 authorizing the merger of Washington Energy Company  
16 and Washington Natural Gas Company with and into  
17 Puget Sound Power and Light Company.

18 My name is Marjorie Schaer. I'm the  
19 Administrative Law Judge assigned to these proceedings.  
20 To my right are the members of the Commission.  
21 Chairman Sharon Nelson.

22 CHAIRMAN NELSON: Good morning.

23 JUDGE SCHAEER: Commissioner Dick Hemstad.

24 COMMISSIONER HEMSTAD: Good morning.

25 JUDGE SCHAEER: And Commissioner Bill

01000

1 Gillis.

2 COMMISSIONER GILLIS: How do you do?

3 JUDGE SCHAEER: This hearing was set by a  
4 Notice of Hearing dated October 1st, 1996, and today's  
5 date is October 14th, 1996. The time is 9:35 in the  
6 morning, and we are in the public library in  
7 Bellingham, Washington.

8 Right now I'm going to take appearances  
9 briefly so that the members of the public who are  
10 here will know who all the participants sitting in  
11 the front of the room are. Let's begin with the  
12 companies.

13 Mr. Harris.

14 MR. HARRIS: Matthew Harris on behalf of  
15 Washington Natural Gas. Good morning.

16 JUDGE SCHAEER: For the Commission Staff,  
17 Mr. Cedarbaum.

18 MR. CEDARBAUM: My name is Robert  
19 Cedarbaum. I'm an Assistant Attorney General, and I  
20 represent the Commission Staff.

21 JUDGE SCHAEER: And then for public counsel,  
22 please.

23 MR. MANIFOLD: My name is Rob Manifold.  
24 I'm also an Assistant Attorney General. I represent  
25 public counsel in this matter, and I'll be assisting

1 people in testifying this morning.

2 JUDGE SCHAER: Are there any other  
3 appearances today?

4 (No audible response.)

5 JUDGE SCHAER: Just for the record, there  
6 were a number of intervenors involved in this  
7 proceeding; however, they are not required to be at  
8 this hearing today.

9 They did appear and participate during  
10 other stages of the proceeding, and they will be  
11 involved in later hearings in the proceeding.

12 Mr. Manifold, do you want to begin with a  
13 summary describing these proceeding, please.

14 MR. MANIFOLD: I'll just take a couple of  
15 minutes to summarize where this matter is. This is a  
16 formal case in front of the Utilities Commission.

17 The three commissioners will be making  
18 their decision by the end of the year or early next  
19 year as to whether or not to approve this proposed  
20 merger, and if so, under what conditions.

21 There have been formal proceedings with  
22 pre-filed testimony from a lot of expert witnesses.  
23 There have been about 20 parties, 22 parties who  
24 filed testimony or appeared in the case. There will  
25 be more technical hearings in early November in

1 Olympia.

2           The Commission is holding this hearing and  
3 one on Friday and another one this afternoon to get  
4 the views of the member of the public.

5           If you do not wish to speak today, you can  
6 send a letter, if you haven't already, to either my  
7 office or to the Commission. Materials on how to do  
8 that are on the side table.

9           Today I'll be calling off the people who  
10 signed up to testify and ask you to come forward over  
11 to this lectern over here. You'll be sworn in by the  
12 Administrative Law Judge. I'll ask you a few questions  
13 to establish who you are; your name, address, whether  
14 you're a customer of the company, and by whom you're  
15 employed and things like that.

16           And then you'll make your statement to the  
17 Commissioners. And then if they have any questions to  
18 bring out anything they didn't understand about your  
19 comments, please wait there so that those questions  
20 can be made to you.

21           There are several different proposals in  
22 front of the Commission. The companies have made an  
23 original proposal about how they propose to merge and  
24 what they propose to do with the merger savings and  
25 what rates would be applied.

1                   Various parties to the case; Commission  
2 Staff, my office, and others have made other  
3 proposals. Last Friday the company made a new set of  
4 proposals on some of the issues involved in the case.

5                   But what we're here for today is to hear  
6 what members of the public think about this proposal  
7 both as to rates, service quality, just the general  
8 ideas about it.

9                   JUDGE SCHAER: Thank you, Mr. Manifold, for  
10 that summary.

11                   We're now going to move to the public  
12 testimony. Witnesses who testify should know that  
13 they will be sworn in, so I will be putting you under  
14 oath. And in order for us to get everyone's comments  
15 in today, I would ask you to limit your remarks to five  
16 minutes.

17                   Go ahead and present the first public  
18 witness, please, Mr. Manifold.

19                   MR. MANIFOLD: Marcell Cagey.  
20 Whereupon,

21                                   MARCELL CAGEY  
22 having been first duly sworn, was called as a witness  
23 herein and was examined and testified as follows:

24                   JUDGE SCHAER: The witness is sworn.



1 DIRECT EXAMINATION

2 BY MR. MANIFOLD:

3 Q. Please state your name and spell both your  
4 first name and last name.

5 A. My name is Marcell Cagey, M A R C E L L,  
6 C A G E Y.

7 Q. And your address?

8 A. 2021 Cagey Road, Bellingham, Washington.

9 Q. And the zip code?

10 A. 98226.

11 Q. All right. Are you a customer of Puget  
12 Power?

13 A. Yes, I am.

14 Q. And how are you employed?

15 A. I am employed by the Whatcom Opportunity  
16 Council as a weatherization technician.

17 Q. Please go ahead and make your comments.

18 A. Well, I have, like, a couple questions here.  
19 I want to know how you can justify giving the large  
20 industrial companies a cheaper rate even though they're  
21 destroying the environment?

22 I've just -- I got to ask that question.  
23 How do you come up with giving them a cheaper rate  
24 than us people who have to live in the wastelands that  
25 are kind of like from these industrial people here?



1 environmental lands or, you know, daming up the rivers  
2 or whatever. You know, I think that they should be the  
3 ones to pay for the damage, not us public users of the  
4 resource.

5 JUDGE SCHAER: Okay. Are there any other  
6 questions? Any questions from the attorneys?

7 Mr. Cedarbaum?

8

9 CROSS-EXAMINATION

10 BY MR. CEDARBAUM:

11 Q. Just one question, Mr. Cagey. You  
12 mentioned the Opportunity Council. Can you just  
13 describe what that is briefly.

14 A. We're like -- we go in and save the BPA  
15 excess energy use from regular users. We try to cut  
16 down their bills and their electricity usage by  
17 insulation or heating or any kind of weatherization  
18 that's going to make a great effect on the homes of  
19 these residents.

20 Q. And are you testifying today on behalf of  
21 the Opportunity Council or just on your own behalf?

22 A. On my own behalf, because I just have  
23 these two questions that I've got to ask. You know,  
24 I've got to ask these, you know, questions here that  
25 -- it just doesn't make sense to pass, you know, the

1 most expensive bills to just the users.

2           You know, the industrial guys who are, like,  
3 doing the most damage to our environment, and here, you  
4 know, as a citizen of a -- I guess of Puget Power -- or  
5 a buyer, you know, it just doesn't make sense to me why  
6 we got to pay a higher rate than an industrial, you  
7 know, plan.

8           MR. CEDARBAUM: Thank you.

9           JUDGE SCHAEER: Are there any other questions  
10 for this witness?

11           (No audible response.)

12           JUDGE SCHAEER: Thank you for your  
13 testimony.

14           MR. MANIFOLD: Chuck Eberdt.

15           THE COURT REPORTER: May we go off the  
16 record for a moment, please?

17           JUDGE SCHAEER: Let's go off the record  
18 for just a moment.

19           (Discussion off the record.)

20           JUDGE SCHAEER: Back on the record.

21           We went off the record for just a moment to  
22 help the court reporter hear better what is going on.

23           Who had you called, Mr. Manifold?

24           MR. MANIFOLD: Chuck Eberdt.

25           MR. EBERDT: Good morning. I would like to

01008

1 thank the Commissioners for coming up here.

2 MR. MANIFOLD: Just a moment.

3 MR. EBERDT: I'm sorry. I'm too used to  
4 the other process.

5 Whereupon,

6 CHUCK EBERDT,

7 having been first duly sworn, was called as a witness

8 herein and was examined and testified as follows:

9

10 DIRECT EXAMINATION

11 BY MR. MANIFOLD:

12 Q. Please state your name and spell your last  
13 name.

14 A. Charles Eberdt, E B E R D T.

15 Q. And your address?

16 A. I live at 5191 Gelbrith Road in Acme, 98220.

17 Q. And are you a Puget Power customer?

18 A. Sure am.

19 Q. And are appearing on behalf of an  
20 organization?

21 A. I'm here appearing here on my own behalf  
22 and on behalf of the Energy Project.

23 Q. Okay. Could you briefly describe what the  
24 Energy Project is?

25 A. The Energy Project is a leveraging project

01009

1 for all of the community action agencies in the state.  
2 As such I'm paid through the Opportunity Council,  
3 which is a community action agency and provides  
4 weatherization and other services, including homeless  
5 housing, emergency services.

6 Q. Please go ahead.

7 A. I guess my comments are a little bit off  
8 the cuff, but I too have similar questions to  
9 Marcell's.

10 It seems to me that the purpose of this  
11 merger, the whole reason these two companies are  
12 merging, is to make company. They wouldn't be doing  
13 it if they weren't making money.

14 And in such a case there are a lot of issues  
15 that come out. Last year in rate hearings Puget Power  
16 argued that they just had to have a rate increase.

17 Last week the UTC allowed Puget Power  
18 permission to give their 28 largest industrial  
19 customers a significant, I believe around 40 percent,  
20 rate decrease, which seems to me to be rather  
21 anticompetitive in that it retards entrance of other  
22 people into the market to serve this particular  
23 community.

24 I think it will also work to keep the  
25 residential and small business rate payers in this

1 community captive.

2           And what we see in the company's proposal  
3 is something that may mean as much as a 20 percent  
4 increase in residential rates over the next five  
5 years. And after that five years, who knows what's  
6 going to happen.

7           No matter how you juggle the numbers, I've  
8 got to believe that residential are going to be  
9 paying more than they should and losing benefits  
10 that ought to be coming down to that particular rate  
11 sector. And that's me. That's a lot of people in  
12 this community.

13           This county, who are -- probably in the  
14 counties the Opportunity serves, there are over 10,000  
15 households that are living at the poverty level or  
16 below.

17           If there are savings from the efficiency of  
18 combining these two companies, all the rate payers  
19 ought to see those savings, not just the large  
20 industrial rate payers.

21           I understand that the stockholder is going  
22 to want a better rate of return; however, the rate of  
23 return they currently get is far better than what  
24 happens for those 10,000 low-income families in Island  
25 County and Whatcom County who pay the highest rates in

1 the state.

2 I think customers are going to lose out  
3 in other ways as well. The conservation program that  
4 Puget has pledged to is largely the Market Transformation  
5 Trust out of the Comprehensive Review, which is  
6 admirable, and as well a modest low-income program.

7 The fact that they are willing to pledge a  
8 million dollars outside of rates for low-income  
9 services is very, very commendable. It just doesn't  
10 go far enough. There is a lot more work to be  
11 done, and there is a lot more need out there.

12 I think that the -- in fact the low-income  
13 program funding amount is less than a quarter of what  
14 the Comprehensive Review recommends for low-income  
15 funding -- or what would be Puget's share of that  
16 regional amount, and the proposed overall conservation  
17 budget that Puget has been talking about is less than a  
18 third of the Comprehensive Review recommendation.

19 These companies have long enjoyed a very  
20 profitable privilege of being exclusive sellers in a  
21 lucrative market. And while in the past their  
22 conservation program performance has been at times  
23 admirable, I don't think it is now.

24 Before this merger goes ahead, I think the  
25 Commission should require a much more aggressively



1 funded conservation program and reduction in rates for  
2 residential and small business customers that is at  
3 least proportionate to their share of the market as  
4 the industrial customers.

5 MR. MANIFOLD: Thank you. I have no  
6 questions.

7 JUDGE SCHAEER: Thank you. Any other counsel  
8 have questions?

9 (No audible response.)

10 JUDGE SCHAEER: Commissioners, do you have  
11 questions for this witness?

12

13 EXAMINATION

14 BY COMMISSIONER GILLIS:

15 Q. You mentioned that the funding of the  
16 approximately one million dollars set aside for  
17 proposed low-income programs is only one quarter of  
18 that recommended by the Comprehensive Review. Can you  
19 tell us if there was a target by the Comprehensive  
20 Review for a low-income program specifically?

21 A. 30 million dollars regionally. You figure  
22 that Puget is about one-seventh of the regional load.  
23 Or another way of approaching it, I think in the  
24 Comprehensive Review there was a figure like .4 or 5  
25 percent of gross operating revenues. Somewhere in that

1 range. That gets you up to about four million dollars  
2 for low income.

3 Q. It was somewhere within that three percent  
4 guideline that --

5 A. I believe that's where it was, yeah.

6 Q. That's for everything that --

7 THE COURT REPORTER: I'm sorry, I can't hear  
8 you, Mr. Gillis.

9 Q. There's a low-income -- I'm trying to  
10 verify. There's a low-income target within the three  
11 percent target?

12 A. Yes.

13 Q. I wasn't aware of that.

14 COMMISSIONER HEMSTAD: I have a question.

15

16 EXAMINATION

17 BY COMMISSIONER HEMSTAD:

18 Q. I believe you indicated your counsel is  
19 that residential rates will go up approximately 20  
20 percent over the next five years?

21 A. Uh-huh.

22 Q. How do you do that calculation?

23 A. I'm actually relying on Public Counsel in  
24 that regard. But, as I understand it, we're looking  
25 at the loss of the residential exchange, which is going

1 to be 14 percent, bang, right there. And then the  
2 company is looking at at least one percent per year  
3 stabilization.

4 Rate freezes are very interesting mechanisms  
5 in that it seems to me most of the time a rate freeze is  
6 put out there like it's this great plum, when actually  
7 the companies still -- I don't know if that is true in  
8 this case, but the companies still make money,  
9 considerable money, under a rate freeze.

10 I believe rates ought to be going down for  
11 residents and small business customers. Thank you.

12 JUDGE SCHAER: Anything else for the  
13 witness?

14 (No audible response.)

15 JUDGE SCHAER: Thank you for your testimony.

16 I believe another attorney has joined us at  
17 the counsel table.

18 Mr. VanNostrand, would you like to make an  
19 appearance for the record, please.

20 MR. VANNOSTRAND: James VanNostrand  
21 representing Puget Sound Power and Light Company.

22 JUDGE SCHAER: Go ahead, Mr. Manifold.

23 MR. MANIFOLD: Next person who signed up is  
24 Jill Johnson.

25 Whereupon,



1 MR. MANIFOLD: Hard to complain about that  
2 testimony. I don't have any questions.

3 JUDGE SCHAEER: Does counsel have any  
4 questions for this witness?

5 (No audible response.)

6 JUDGE SCHAEER: Commissioners, do you have  
7 questions?

8

9 EXAMINATION

10 BY CHAIRMAN NELSON:

11 Q. Just to clarify, the four and a half  
12 million dollars a year spent by Puget in conservation  
13 is what is in Public Counsel's recommendation?

14 A. Yes.

15 CHAIRMAN NELSON: Thank you.

16 JUDGE SCHAEER: Thank you for your testimony.

17 MR. MANIFOLD: David Finet.

18 Whereupon,

19 DAVID FINET,

20 having been first duly sworn, was called as a witness  
21 herein and was examined and testified as follows:

22

23 DIRECT EXAMINATION

24 BY MR. MANIFOLD:

25 Q. Please state your name, spelling your last

1 name.

2 A. My name is David Wayne Finet. My last name  
3 is F I N E T. I live at 5921 Everson Gosham Road,  
4 Bellingham.

5 Q. And how are you employed?

6 A. I am employed by the Opportunity Council.

7 Q. Okay. Are you speaking on their behalf?

8 A. Yes, I am speaking on their behalf and my  
9 own behalf as a Puget Power customer.

10 Q. Please go ahead.

11 A. I've been a life-long resident of Whatcom  
12 County, and I'm a Puget Power customer for as long as  
13 I've been paying my bill. And at the same time my  
14 background is that I've worked in the carpentry trade  
15 within the community, and I also started out working  
16 on the weatherization crew at the Opportunity Council.

17 So I had the opportunity to go into lots of  
18 low-income resident's home swithin the community, and I  
19 think I bring a perspective that is unique, because  
20 I've moved into more policy issues; that we have some  
21 real concerns as an agency and myself as a resident of  
22 Whatcom County about the trend and the potential  
23 impacts of a merger like this.

24 And as a low-income service provider, I  
25 really -- I think the agency has three major concerns.

1 And one is that throughout this merger that there  
2 would be any increase whatsoever for the low-income  
3 clients of Puget's service area.

4           With the decreases in the Federal LIHEAP  
5 dollars, seniors, disabled citizens, low-income  
6 families are being directly impacted by those cuts in  
7 the Federal programs. And ever increasingly at the  
8 doors of the Opportunity Council we see people who are  
9 -- who are having trouble making ends meet. And we're  
10 getting Federal cutbacks. And I think at this point  
11 any type of rate increase is going to have a negative  
12 impact on the citizens.

13           And to compound that by -- in the area here  
14 we have a lot of service industries, low-paying jobs,  
15 and we have one of the highest residential electric  
16 rates in the region. And I think that at some point  
17 you really have to stop and ask yourself: Why is this?  
18 And if we have such a high rate, is that because of  
19 decisions the utilities made, or is it driven by  
20 stockholders, or, you know, what is the driving force  
21 behind this?

22           My second concern would be low-income  
23 conservation. And I support the Public Counsel's 4.5  
24 million in low-income conservation.

25           We've had a real strong relationship with

1 Puget Power in the past and have provided a lot of  
2 weatherization services. And Puget has invested at  
3 times quit heavily. And it has had a real positive  
4 impact and image within the utility structure even in  
5 the United States on the work they've done on  
6 conservation.

7           But in recent years it's really tailed off.  
8 And although we're making some real strides to try to  
9 enhance those programs, at the same time they're at a  
10 low right now in recent years.

11           We currently estimate in Whatcom County and  
12 Island County alone that we have around 2,000 mobile  
13 homes that are occupied by low-income customers that  
14 could be weatherized with a significant positive  
15 impact for not only the occupants but for the utility  
16 also.

17           At the rate we're going just on the mobile  
18 homes, it would take us about 20 years or more to  
19 weatherize those mobile homes.

20           At the same time, I think the 4.5 million  
21 is important because of the drop-off in the Department  
22 of Energy and LIHEAP weatherization dollars. We've  
23 taken significant cuts, 50 percent on the Department  
24 of Energy side, about 36 percent on the Low-Income  
25 Heating Assistance Program side of the weatherization.



1 And at the same time the housing stock within our  
2 service area is declining. And again we have lots of  
3 mobile homes.

4 My third concern has to do with equity,  
5 which I had people -- you've heard other people talk  
6 about already. And it has to do with, you know, a  
7 potential 18 to 20 percent increase for residential,  
8 including low income, and possibly up to a 40 percent  
9 decrease in rates for larger industrial users.

10 I don't know if it's been proven to remain  
11 competitive that these industries need to have that.  
12 I guess maybe that's the decision that was made. But  
13 I haven't seen any evidence to this point that to stay  
14 viable that these companies need to have this decrease  
15 in revenues -- or, excuse me, in rates.

16 I think one of my concerns kind of stems  
17 back to the low-income weatherization, and it has to  
18 do with equity for citizens of Whatcom County and  
19 Island County in particular.

20 With the merger of Washington Natural Gas  
21 and Puget, there could be some program design that has  
22 to do with fuel switching, that type of thing to maybe  
23 give some rate relief for low-income customers.  
24 Except for that doesn't work in Whatcom County because  
25 this isn't part of the overlapping territory, so we

1 have Cascade Natural Gas up here.

2                   So one of my concerns is an equity across  
3 the service delivery area. So you might be able to  
4 give -- you know, alleviate their rates in King County  
5 by switching them over to gas, but you're not going to  
6 be able to do that here. So I think that's an issue  
7 that needs to be dealt with, and we're very concerned  
8 about it.

9                   And again is it reasonable that those  
10 individuals most at risk should shoulder the burden of  
11 the rate increases?

12                   JUDGE SCHAEER: Mr. Finet, are you about  
13 ready to conclude?

14                   THE WITNESS: Almost.

15                   You know, and I guess one of my last  
16 concerns is that -- has to do with customer choice,  
17 and, you know, the whole electric industry  
18 restructuring issue and working around customer choice  
19 is that -- and there are people who are putting pilots  
20 out on the table and everything.

21                   And I'm not as concerned about over who  
22 low-income and other residential customers would choose  
23 as I am who would choose low-income and residential  
24 customers. There's more risk. There's more things  
25 around there. And as the trend goes, you know, it's

1 higher rates for the people who can least afford it.

2           And also represented here -- we've had four  
3 people speak or five people speak, and they were all  
4 speaking from the same place. And I would say that  
5 has to do partly with process.

6           This is a short timeline. I don't think  
7 the community really understands the issues. If I go  
8 out in the community and talk to people this last  
9 weekend or last week, of which -- that I've known  
10 about this hearing, people are very concerned once  
11 they understand the issues.

12           And I think that we're at a point here  
13 where I really appreciate the opportunity to speak  
14 here, but I think that we would see a lot more people  
15 speaking out there if they really understood how this  
16 is going to impact them down the road. That's it.

17           JUDGE SCHAEER: Any questions?

18           MR. MANIFOLD: Yes.

19           Q. You mentioned the LIHEAP program. Could  
20 you, first of all, spell that to help the court  
21 reporter and then explain what that is?

22           A. It's the Low-Income Heating Assistance  
23 Program, and it's the program that helps residential  
24 customers of the state -- actually the nation. Each  
25 state is allocated a certain amount of dollars. It

1 helps them pay their energy bills in the winter.

2 Last year -- and historically there's much  
3 more need than is ever met within the community. And  
4 I don't have the exact numbers on those. You would  
5 have to probably talk with Chuck Eberdt, who has the  
6 exact numbers.

7 But just coming from a direct service  
8 standpoint, we have many more people come to our doors  
9 each year to get help with their energy bills than  
10 we're able to help. This last year we had a 36  
11 percent cut in that program.

12 MR. MANIFOLD: Okay. Thank you.

13 JUDGE SCHAEER: Any other questions from  
14 counsel?

15 (No audible response.)

16 JUDGE SCHAEER: Any questions from the  
17 Commissioners?

18

19 EXAMINATION

20 BY CHAIRMAN NELSON:

21 Q. Mr. Finet, what is your position now with  
22 the Opportunity Counsel?

23 A. I am the housing services program director.

24 Q. We're going to be wrestling with a lot of  
25 the issues you addressed in the Comprehensive Review

1 as well, but I think all the points you raised are  
2 really excellent points.

3           Has the Council thought about how it might  
4 try to impose low-income obligations or conservation  
5 obligations on a new entrants in the marketplace, let's  
6 say end run proposals to serve a load here? Have you  
7 thought of new mechanisms whereby those new entrants  
8 might also shoulder some of these obligations?

9           A.     Well, I think that -- there's been  
10 different proposals, and I think there's been --  
11 there's different models across the nation. I think  
12 that a direct charge, a certain percentage of gross  
13 operating revenues, targeted towards heating  
14 assistance programs similar to the LIHEAP program,  
15 conservation programs.

16           I think if it's left up -- you know, and  
17 there are some issues in the Comprehensive Review  
18 that have to do with basically optional participation  
19 by utilities. And I really believe that if you leave  
20 it optional, people will opt out.

21           And I believe that there has to be a strong  
22 message come from the Commission that there's a  
23 responsibility there and that -- and I think that  
24 there's been quit a few different draft proposals put  
25 on the table from organizations such as Northwest

1 Conservation Coalition and others that pretty much  
2 outline some of the responsibilities from both public  
3 and private utilities.

4 CHAIRMAN NELSON: Okay. Thank you.

5

6 EXAMINATION

7 BY COMMISSIONER HEMSTAD:

8 Q. Do you have a present concluding view as to  
9 whether you oppose the proposed merger?

10 A. Well, I guess my concern isn't as much as  
11 opposing the proposed merger as it is -- my concern,  
12 and I know the Opportunity Council's concern is that  
13 we -- that low-income client's needs are met; that  
14 they're not left out in the cold; that there is some  
15 type -- that we have some type of mechanism to be able  
16 to address those needs.

17 And if those needs can be addressed with  
18 the merger moving forward, I don't see a problem. But  
19 if those needs cannot be met or we sacrifice or we  
20 move backwards instead of moving forwards, I think  
21 then we'll probably be opposed to it. So it's a --  
22 it's not a cut-and-dried thing.

23 JUDGE SCHAEER: Any other questions for this  
24 witness?

25 COMMISSIONER GILLIS: No.

1 JUDGE SCHAEER: Thank you for your testimony.

2 THE WITNESS: Thank you.

3 MR. MANIFOLD: Jennifer Lewis.

4 Whereupon,

5 JENNIFER LEWIS,

6 having been first duly sworn, was called as a witness

7 herein and was examined and testified as follows:

8 MS. LEWIS: My name is Jennifer Lewis, L E W I S.

9

10 DIRECT EXAMINATION

11 BY MR. MANIFOLD:

12 Q. Your address?

13 A. 1208 24th Street, Bellingham.

14 Q. Are you speaking on your own behalf or for  
15 an organization?

16 A. I am speaking on behalf of the Opportunity  
17 Council, and I am also a Puget Power customer.

18 I would like to also comment on the  
19 low-income community. I work with low-income people  
20 day in and day out for probably the past seven or  
21 eight years at the Opportunity Council.

22 I work specifically in the Energy  
23 Assistance Program, which is the Federally-funded  
24 program Dave Finet was speaking about, the LIHEAP  
25 program. I just want to say the LIHEAP program is

1 Low-Income Home Energy Assistance Program.

2 I would hope that this merger would create  
3 opportunities for more equity in the rate system.  
4 Giving industry a reduction seems a crazy thing to do  
5 when I work with people who are having to make the  
6 difficult decision of either paying their rent to  
7 avoid being evicted or paying their utilities to avoid  
8 being shut off. Their incomes are so low that that  
9 decision they're faced with regularly.

10 We of course try to counsel them to put  
11 more money towards rent to keep their housing so that  
12 there will be less homelessness, but often that's  
13 not what happens. And it just seems that any kind of  
14 rate increase for the residential community would  
15 have a devastating effect on an already pretty grim  
16 situation for low-income people.

17 Any questions?

18 JUDGE SCHAER: Counsel have any questions?

19 (No audible response.)

20 JUDGE SCHAER: Commissioners have any  
21 questions?

22 COMMISSIONER HEMSTAD: No.

23 THE WITNESS: Okay. Thank you.

24 JUDGE SCHAER: Thank you for your  
25 testimony.



1                   MR. MANIFOLD: That's all of the people who  
2 have previously signed up. Are there others who  
3 would now like to come forward and testify? Are there  
4 others? Can I see hands if there are others.

5 Whereupon,

6                                   ROGER CRADDOCK,  
7 having been first duly sworn, was called as a witness  
8 herein and was examined and testified as follows:

9                   MR. CRADDOCK My name is Roger Craddock,  
10 C R A D D O C K. I live at 2000 Alabama, No. 6,  
11 Bellingham, 98226.

12

13                                   DIRECT EXAMINATION

14 BY MR. MANIFOLD:

15           Q.     Are you a Puget customer?

16           A.     I'm a Puget customer. I own Allen Home  
17 Inspection Services. I'm also employed by the  
18 Opportunity Council. I'm here to speak for myself.

19                   I have no prepared statement; however, I  
20 would like to just kind of give you a gut feeling that  
21 I have about this.

22                   Anytime you deal with a public or  
23 quasi-public entity, I get suspicious. The resource  
24 people have control, the electric company, gas company,  
25 of these resources. The only control we as public and

1 private citizens have is through our commissions and  
2 our public attorneys to deal with this matter. So I  
3 would urge you to pay attention to my comments rather  
4 in a more gut-level feeling.

5 I have no prepared statement, so I have no  
6 statistics to say. However, I notice you're all  
7 wearing ties. I'm not. I'm wearing my work clothes.  
8 This stuff you see on my shirt, this is mastic.  
9 That's the material we use to seal ducts. I seal a  
10 lot of ducts in my job.

11 As a home inspector I have been in many,  
12 many homes in Skagit and Whatcom counties, many, many  
13 homes, and I have a feeling of a great deal of wasted  
14 power, electric and gas waste. And then I hear  
15 statistically about we're going to try and save money.

16 Maybe Bonneville Power is going to raise  
17 their cost to us, and that will trickle down, and the  
18 guy in the street is going to pay more on his power  
19 bill. And then I think about the places that I've  
20 inspectd and how much waste.

21 Well, as a home inspector, you know, I  
22 write reports, but I don't do much about the waste.  
23 But as an employee for the Opportunity Council I do a  
24 lot. I seal ducts. And we have an education program.  
25 But our resources are so limited we really don't touch

1 that many people.

2                   And when I hear about all the monies that  
3 are derived in revenues, I think about all the waste  
4 that I see in the field, and it seems to me that there  
5 should be a more equitable distribution of those  
6 monies to the people who, No. 1, can't afford to pay  
7 those bills and, No. 2, who could be educated and  
8 helped to save those resources.

9                   So bottom line I would just -- I would urge  
10 the Commission to think about organizations such as  
11 the Opportunity Council and what they do, because  
12 we're non-profit. We don't make a profit. We're here  
13 to save money, save natural resources that belong to  
14 everybody.

15                   Just as you're giving a license to public  
16 utilities to utilize these resources, we have  
17 accepted a responsibility to help save those  
18 resources. So in that vein I say pay attention to  
19 the Opportunity Council and what we stand for and  
20 recognize that there's a real need to put monies in our  
21 direction to help save money.

22                   With regard to the thoughts on the merger,  
23 if what you say here in this publication is true, then  
24 on its face it seems like a good idea. If these two  
25 companies can say I think it's better that we go gas

1 here and electric here, and there's a net savings, and  
2 that ultimately will go down to the consumer, then  
3 that's a good idea and so be it.

4 If, on the other hand, it's just some way  
5 to disguise profits, then I'm against it. That's  
6 pretty much how I stand. Any questions?

7 JUDGE SCHAEER: Questions from counsel?

8 (No audible response.)

9 JUDGE SCHAEER: Commissioners, any  
10 questions?

11 (No audible response.)

12 JUDGE SCHAEER: Thank you, Mr. Craddock.

13 MR. MANIFOLD: Anyone else?

14 MEMBER OF THE AUDIENCE: I'll comment.

15 Whereupon,

16 TORE SLETTE,

17 having been first duly sworn, was called as a witness  
18 herein and was examined and testified as follows:

19

20 DIRECT EXAMINATION

21 MR. SLETTE: My name is Tore Slette, T O R E,  
22 S L E T T E. I'm a Puget Power customer, and I also  
23 work for the Opportunity Council as a weatherization  
24 technician, and I'm moving into the field of energy  
25 education.

1                   And I would like to, I guess, echo and  
2 reiterate what Mr. Craddock just said is that I would  
3 like to see the utilities put a lot more effort into  
4 conservation because there's not a -- from all the  
5 remarks and such I've heard from the different public  
6 utilities over the years, ones that deal with natural  
7 gas and electricity, that there is really no argument  
8 that conservation efforts do save money in the long  
9 run.

10                   It's much cheaper to have the existing  
11 customers cut back on their energy useage so that you  
12 can add more customers, which is going to happen as the  
13 population of our area grows, than to go out and find  
14 more natural resources, build more pipelines, build  
15 more power plants, et cetera.

16                   So my question is -- or my statement would  
17 be that if they're worried about the rates for  
18 everybody, then why don't -- why is conservation  
19 efforts getting cut back?

20                   And I guess before I could be for or  
21 against this merger -- where was I going with that? I  
22 would just like to see more efforts going towards  
23 conservation.

24                   Mr. Eberdt said that it's funded at about  
25 25 percent of what the Public Counsel would recommend.

1 And I would like to see the utilities make a step  
2 forward to try to fund that at 100 percent of what  
3 Public Counsel recommends. I think that's a better use  
4 of everybody's resources and time.

5 Is there any questions about that?

6 JUDGE SCHAER: Questions from counsel?

7 (No audible response.)

8 JUDGE SCHAER: Any questions from the  
9 Commissioners?

10 (No audible response.)

11 JUDGE SCHAER: Thank you for your  
12 testimony.

13 MR. MANIFOLD: Anyone else?

14 (No audible response.)

15 MR. MANIFOLD: That appears to be it, your  
16 Honor.

17 JUDGE SCHAER: Thank you. I want to thank  
18 everyone here once again for attending this hearing.  
19 We will stand in recess until three o'clock this  
20 afternoon when we will convene a public hearing in  
21 Kent, Washington.

22 Thank you, and we are off the record.

23 (Hearing adjourned at 10:19 a.m.)

24

25